Comprehensive

# Annual

Financial Report

**For fiscal years ended June 30, 2013 and 2012**

MTFC

Missouri Transportation
Finance Corporation

a Component Unit of the State of Missouri

# Comprehensive Annual Financial Report

for fiscal years ended

**June 30, 2013 and 2012**

Roberta Broeker, CPA, Executive Director
and Brenda Morris, CPA, Treasurer

Prepared by the Financial Services Division
Missouri Department of Transportation

Missouri Transportation Finance Corporation
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MTFC

**Missouri Transportation Finance Corporation**

a Component Unit of the State of Missouri

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# Table of Contents

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# Introductory Section

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August 22, 2013

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

The Missouri Transportation Finance Corporation (MTFC) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the MTFC for the fiscal year ended June 30, 2013.

The Transportation Equity Act of the Twenty-first Century (TEA-21) Cooperative Agreement between the Federal Highway Administration, the Federal Transit Administration and the Federal Railroad Administration, agencies of the United States Department of Transportation, the Missouri Highways and Transportation Commission (MHTC) and the MTFC requires the MTFC to have an annual independent financial and compliance audit. In fulfillment of this requirement, the MTFC prepared this CAFR and contracted with the independent auditing firm of Williams-Keepers LLC to audit the financial statements.

Generally accepted accounting principles (GAAP) require management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MTFC's MD&A can be found immediately following the report of the independent auditors, beginning on page 21.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the MTFC. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the MTFC's net position and changes in net position. All disclosures necessary to enable the reader to gain an understanding of the MTFC's financial activities have been included.

**Profile of the MTFC**

The MTFC, incorporated in August 1996 as a not-for-profit corporation, derived its authority to form and operate from the TEA-21. The Cooperative Agreement provided the original capitalization for the entity, a mixture of federal and state funds, to administer a program focused on funding Missouri highways and transportation projects by offering financing options such as low interest direct loans to private and public entities. An eight member Board of Directors administers the MTFC and is responsible for the direction of the entity, including approval of all loans.

**Internal Controls**

The MTFC is responsible for establishing and maintaining internal controls designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Those controls also assure the reliability of financial records for preparing financial statements and maintaining the accountability for assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by the MTFC Board. All internal control evaluations occur within this framework. The MTFC believes the corporation's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Economic Outlook**

Congress passed Moving Ahead for Progress in the 21st Century (MAP-21), a two-year, $105.0 billion transportation bill for the nation's transportation projects on June 29, 2012. General Fund transfers of $18.8 billion and Leaking Underground Storage Tank Trust Fund transfers of $2.4 billion to the Highway Trust Fund will allow level funding over the life of the bill through September 30, 2014. The Congressional Budget Office (CBO) estimates the Highway Trust Fund's Highway and Transit Accounts will not face deficits until federal fiscal year 2015. Congress will need to take action by September 30, 2014 for federal transportation funding to continue in the future.

The national economy continues to recover from the recession. State revenues designated for transportation (motor fuel taxes, motor vehicle sales and use taxes and motor vehicle and driver's licensing fees) have finally returned to 2008 levels, but they increased only $8.3 million, less than 1 percent, from fiscal year 2012 to fiscal year 2013. The increase is attributable to motor vehicle sales and use taxes. Motor fuel taxes decreased by 1.6 percent, while motor vehicle and driver's licensing fees decreased by 0.9 percent. With people driving more fuel efficient vehicles and driving fewer miles, fuel tax-driven revenue streams continue to decline. Despite the uncertainty of long-term federal transportation funding, the need for transportation projects still exists. Using financing tools such as MTFC loans allows entities a means of accomplishing transportation projects today and avoiding future inflation costs. There were no new financial policies that significantly impacted the financial statements for the fiscal year ended June 30, 2013.

**Future of MTFC**

The Missouri Department of Transportation's (MoDOT) Statewide Transportation Improvement Program for fiscal years 2014-2018 has an average of about $700.0 million in annual contractor awards. Missourians will see very few new projects during the next few years that expand the system. Interest in MTFC loans may increase as an innovative financing option for transportation partners wanting to proceed with expansion projects in their regions.

As fewer loans have been approved and several loans have been paid off early, the amount available to loan has increased. In fiscal year 2013, the MTFC received approval from the Federal Highway Administration (FHWA) to establish a Loan Participation Program in which banks could purchase all or a portion of the MTFC's outstanding loans. The purchase would accelerate loan repayments and increase the MTFC funds available to loan. This program could help to ensure the MTFC has adequate funds available to meet loan demand. The Loan Participation Program received an Innovation in Project Finance and Financial Management award from FHWA. Missouri is the first recipient of this award.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to stay steady.

**Initiatives**

MoDOT's Financial Services staff is responsible for marketing MTFC loans as a transportation project funding option. They accomplish this activity by:

- Maintaining information about the MTFC on the Partnership Development Website
- Attending and presenting at seven meetings reaching approximately 200 local partners
- Educating partners
- Preparing newsletters to communicate activity to potential customers

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MTFC for its CAFR for the fiscal year ended June 30, 2012. This was the fifth consecutive year the MTFC received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

August 22, 2013
Board of Directors
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**Acknowledgements**

The timely preparation of this report was achieved by the dedicated service of MoDOT's Financial Services Division staff who are responsible for MTFC administrative activities. We would like to express appreciation to members of the staff who assisted and contributed to this report.

Sincerely,

Roberta Broeker, CPA
Executive Director

Brenda Morris, CPA
Treasurer

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Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Missouri Transportation Finance Corporation**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

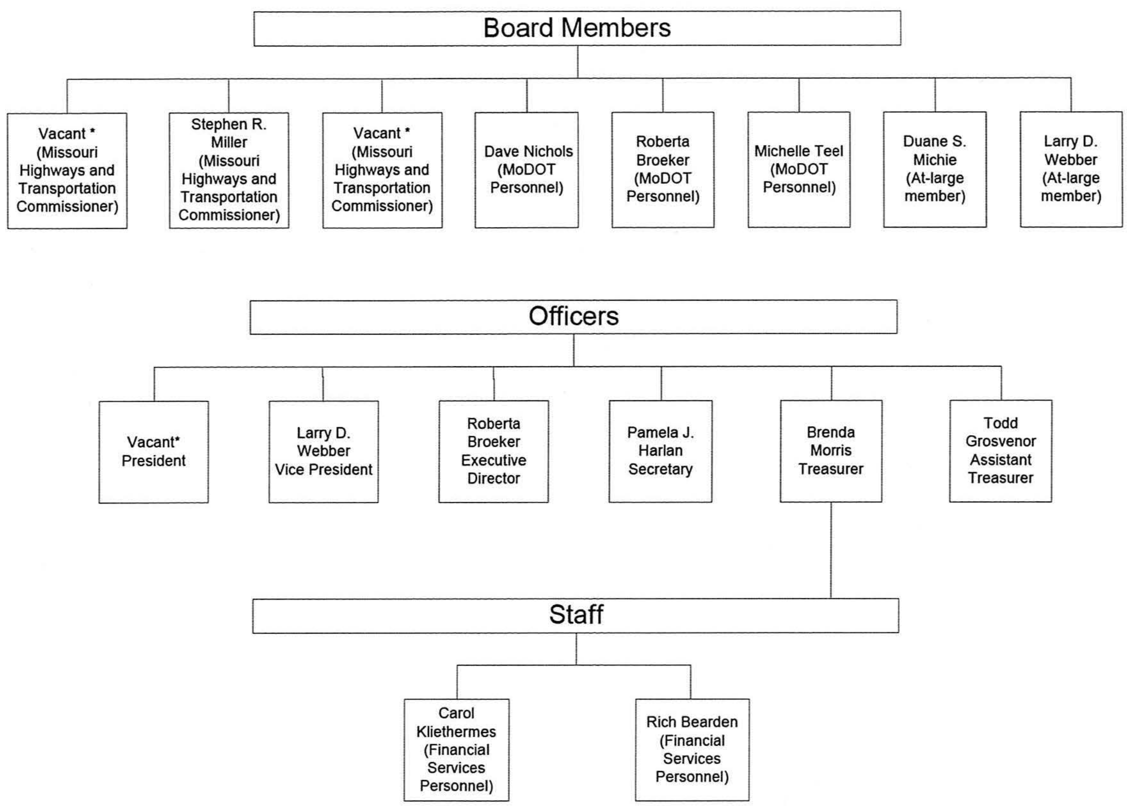
**June 30, 2012**

Executive Director/CEO

# Organizational Chart

June 30, 2013

Missouri Transportation Finance Corporation (MTFC)
Organizational Chart




* Position became vacant when the Governor appointed new Commissioners on June 3, 2013. On July 9, 2013, the Commission appointed Commissioner Gregg C. Smith to fill one of the vacant board positions. The Commission also appointed Commissioner Stephen R. Miller as President of the MTFC.

MoDOT – Missouri Department of Transportation
MHTC – Missouri Highways and Transportation Commission

# Principal Officials

Fiscal Year 2013

| MTFC Title | Name |
| --- | --- |
| President | Grace M. Nichols, MHTC Commissioner* |
| Vice President | Larry D. Webber, MTFC At-large member |
| Executive Director | Roberta Broeker, MoDOT Chief Financial Officer |
| Secretary | Pamela J. Harlan, MHTC Secretary |
| Treasurer | Brenda Morris, MoDOT Financial Services Director |
| Assistant Treasurer | Todd Grosvenor, MoDOT Financial Services Administrator |

* Position became vacant when the Governor appointed new Commissioners on June 3, 2013. On July 9, 2013 the Commission appointed Commissioner Stephen R. Miller as President of the MTFC.

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# Financial Section

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the accompanying table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require the management's discussion and analysis on pages 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on provide any assurance on them.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Williams Keepers LLC

August 22, 2013

# Management's Discussion and Analysis

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# Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the MTFC's financial performance during the year. It is intended to provide an objective and easily readable analysis of the MTFC's financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the information presented in the financial statements and notes, which follow this section.

## FINANCIAL HIGHLIGHTS

- During fiscal year 2013, the MTFC approved two loans totaling $1.5 million. One loan is scheduled for disbursement in fiscal year 2014 and one is scheduled for disbursement in fiscal year 2015. The fiscal year 2013 approved loan amount was less than fiscal year 2012 when eleven loans totaling $34.5 million were approved. In fiscal year 2011, four loans totaling $10.8 million were approved.

- Disbursements totaling $19.3 million for seven loans were made in fiscal year 2013. In fiscal year 2012, nine loans totaling $21.9 million were disbursed and in fiscal year 2011, two loans totaling $2.6 million were disbursed.

- In fiscal year 2013, two entities requested $5.7 million less be disbursed than their originally approved loan amount. No entities requested a lesser amount than their originally approved amount in fiscal years 2012 or 2011. In fiscal year 2013, one entity with a $1.0 million approved loan determined they did not need the loan. In fiscal year 2012, no entities determined they did not need a loan, and in fiscal year 2011, one entity with a $1.9 million approved loan determined they did not need the loan.

- The MTFC's net loans receivable decreased $1.7 million from fiscal year 2012 to 2013, as loan repayments exceeded loan disbursements. From fiscal year 2011 to 2012, net loans receivable increased $13.3 million as loan disbursements exceeded loan repayments.

- Operating income increased $83,000 from fiscal year 2012 to 2013 as a result of the increase in interest income on loans exceeding the decrease in other income. From fiscal year 2011 to 2012 operating income decreased $55,000 as a result of a decrease in interest income on loans exceeding the increase in other income.

- Total nonoperating revenues (expenses) decreased from $97,000 in fiscal year 2012 to ($108,000) in fiscal year 2013, 211.3 percent, due to a decrease in investment earnings which includes a significantly decreased market value adjustment. From fiscal year 2011 to 2012, total nonoperating revenues (expenses) decreased $47,000, 32.6 percent, due to the reduction in the investment earnings.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the MTFC's basic financial statements, which are comprised of two components: 1) financial statements and 2) notes to the financial statements.

***Financial Statements*** report information about the MTFC through accounting methods used by private-sector companies, the economic resources measurement focus and accrual basis of accounting. These statements provide short- and long-term information about the financial status of the MTFC.

The *Statements of Net Position* include all MTFC assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the MTFC is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* account for all revenues and expenses of the MTFC as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statements of Cash Flows* provide readers the sources and uses of cash, and the changes in the cash balance during the year.

***Notes to the Financial Statements*** provide additional information and discuss particular accounts in more detail. The Notes are essential to a full understanding of the data provided in the financial statements.

## FINANCIAL ANALYSIS

**MTFC Net Position**
**June 30, 2013, 2012 and 2011**
**(dollars in thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Assets** | | | |
| Cash and investments | $22,648 | $18,232 | $29,025 |
| Interest receivable on loans and investments | 1,229 | 1,438 | 1,326 |
| Loans receivable, net | 75,230 | 76,956 | 63,659 |
| **Total assets** | 99,107 | 96,626 | 94,010 |
| **Liabilities** | | | |
| Accounts Payable | 3 | 9 | 2 |
| **Net Position** | | | |
| Restricted for lending purposes | 75,550 | 75,658 | 75,561 |
| Unrestricted net position | 23,554 | 20,959 | 18,447 |
| **Total net position** | $99,104 | $96,617 | $94,008 |

### Assets

Cash and investments increased $4.4 million from fiscal year 2012 to 2013. A decrease of $10.8 million occurred between fiscal year 2011 and 2012. In fiscal year 2013, net loans receivable decreased $1.7 million and in fiscal year 2012 net loans receivable increased $13.3 million. The increase in cash and investments, as well as the decrease in loans receivable in fiscal year 2013, are attributed to loan repayments of $21.0 million exceeding loan disbursements of $19.3 million. In fiscal year 2012, loan disbursements of $21.9 million exceeded loan repayments of $8.6 million resulting in the decrease in cash and investments, and the increase in loans receivable.

### Net Position

Net position increased $2.5 million in fiscal year 2013. The primary reason for the increase in net position resulted from $2.6 million in loan interest and total nonoperating revenues (expenses) of ($108,000). In fiscal year 2012, net position increased $2.6 million as a result of loan interest of $2.5 million and investment earnings of $111,000. Net position restricted for lending purposes includes cumulative net investment earnings and will change as the market fluctuates.

**MTFC Changes in Net Position**
**Years ended June 30, 2013, 2012 and 2011**
**(dollars in thousands)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Interest income on loans | $ 2,632 | $ 2,523 | $ 2,580 |
| Other income | 2 | 37 | 16 |
| **Total operating revenues** | 2,634 | 2,560 | 2,596 |
| **Operating Expenses** | | | |
| Administrative fees | 27 | 36 | 17 |
| Other operating expenses | 12 | 12 | 12 |
| **Total operating expenses** | 39 | 48 | 29 |
| **Nonoperating Revenues (Expenses)** | | | |
| Investment earnings | (99) | 111 | 158 |
| Nonoperating expenses | (9) | (14) | (14) |
| **Total nonoperating revenues (expenses)** | (108) | 97 | 144 |
| **Change in net position** | 2,487 | 2,609 | 2,711 |
| Net position at beginning of year | 96,617 | 94,008 | 91,297 |
| **Net position at end of year** | $99,104 | $96,617 | $94,008 |

## Revenues

In fiscal years 2013, 2012 and 2011, the primary source of income was interest earned on loans. In fiscal year 2013, interest income on loans recognized as operating revenue increased $109,000 compared to fiscal year 2012 and decreased $57,000 in fiscal year 2012 compared to fiscal year 2011. The average loans receivable balance was $77.6 million in fiscal year 2013 compared to $69.8 million in fiscal year 2012 and $68.2 million in fiscal year 2011. In fiscal year 2013, the increase in interest income is the result of the increase in the average loans receivable balance. The decrease in interest income in fiscal year 2012 is the result of the decrease in the average interest rate on the loans included in the loans receivable, as well as three loans totaling $11.2 million being disbursed in March 2012. Nonoperating revenue is recognized on investments that are available for lending purposes. The primary reason for the decrease is the depreciation in fair value of investments. Program fees in fiscal year 2013, included in other income, decreased $35,000. Between fiscal year 2012 to 2011, program fees increased $21,000. In fiscal year 2013, the MTFC received 10 less loan applications totaling $34.3 million less in loan requests than fiscal year 2012. The increase in fiscal year 2012 was a result of the MTFC receiving six more loan applications totaling $13.6 million more in loan requests than fiscal year 2011.

## Expenses

In fiscal year 2013, administrative fees totaled $27,000, a decrease of $9,000 from fiscal year 2012, due to a decrease in loan applications. In fiscal year 2012, administrative fees increased $19,000 from fiscal year 2011. The increase in administrative fees from fiscal year 2011 to 2012 is due to an increase in loan applications.

## ECONOMIC AND OTHER FACTORS

The MTFC is an option for financing transportation projects. Interest in MTFC loans may increase as an innovative financing option for transportation partners wanting to proceed with expansion projects in their regions.

In fiscal year 2013, the MTFC received approval from the Federal Highway Administration (FHWA) to establish a Loan Participation Program in which banks could purchase all or a portion of the MTFC's outstanding loans. The purchase would accelerate loan repayments and increase the MTFC funds available to loan. This program will help to ensure the MTFC has adequate funds available to meet loan demand. The Loan Participation Program received an Innovation in Project Finance and Financial Management award from FHWA. Missouri is the first recipient of this award.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to stay steady.

## CONTACTING THE MTFC

This financial report is designed to provide the Missouri Transportation Finance Corporation's interested parties, including citizens, taxpayers, customers, potential investors and creditors, with a general overview of the MTFC's finances and to demonstrate the MTFC's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to Missouri Transportation Finance Corporation, P.O. Box 270, Jefferson City, Missouri 65102.

# Financial Statements

# Statements of Net Position

June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $12,286,951 | $ 8,875,784 |
| Investments | 5,381,019 | 3,522,330 |
| Interest receivable on loans | 1,209,429 | 1,383,817 |
| Interest receivable on investments | 19,849 | 53,641 |
| Loans receivable, net | 18,677,569 | 12,934,541 |
| Total current assets | 37,574,817 | 26,770,113 |
| Noncurrent assets | | |
| Investments | 4,979,801 | 5,834,187 |
| Loans receivable, net | 56,552,510 | 64,021,583 |
| Total noncurrent assets | 61,532,311 | 69,855,770 |
| **Total Assets** | 99,107,128 | 96,625,883 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable | 328 | 1,394 |
| Unearned revenue | 2,950 | 5,445 |
| Total current liabilities | 3,278 | 6,839 |
| Noncurrent liabilities | | |
| Unearned revenue | --- | 1,948 |
| Total noncurrent liabilities | --- | 1,948 |
| **Total Liabilities** | 3,278 | 8,787 |
| **Net Position** | | |
| Restricted for lending purposes | 75,549,852 | 75,658,450 |
| Unrestricted net position | 23,553,998 | 20,958,646 |
| **Total Net Position** | $99,103,850 | $96,617,096 |

The notes to the financial statements are an integral part of these statements

# Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Operating Revenues** | | |
| Interest income on loans | $ 2,632,100 | $ 2,523,476 |
| Program fees | 2,280 | 36,858 |
| **Total Operating Revenues** | 2,634,380 | 2,560,334 |
| **Operating Expenses** | | |
| Administrative fees | 26,711 | 36,334 |
| Professional fees | 9,800 | 9,800 |
| Other | 2,516 | 2,411 |
| **Total Operating Expenses** | 39,027 | 48,545 |
| **Operating Income** | 2,595,353 | 2,511,789 |
| **Nonoperating Revenue (Expenses)** | | |
| Investment earnings (loss) | (99,275) | 110,948 |
| Investment fees | (9,324) | (14,187) |
| **Net Nonoperating Revenues (Expenses)** | (108,599) | 96,761 |
| **Change in net position** | 2,486,754 | 2,608,550 |
| **Net Position, beginning of year** | 96,617,096 | 94,008,546 |
| **Net Position, end of year** | $99,103,850 | $96,617,096 |

The notes to the financial statements are an integral part of these statements

# Statements of Cash Flows

Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Interest received on loans | $ 2,802,042 | $ 2,373,306 |
| Fees received for services | 2,280 | 36,858 |
| Loan disbursements | (19,299,247) | (21,904,367) |
| Principal received | 21,025,293 | 8,606,753 |
| Payments for administrative services | (27,777) | (29,252) |
| Other payments | (12,316) | (12,211) |
| Net cash provided by (used in) operating activities | 4,490,275 | (10,928,913) |
| **Cash Flows From Investing Activities** | | |
| Interest received | 188,964 | 304,286 |
| Sale of investments | 23,294,293 | 45,689,559 |
| Purchase of investments | (24,553,041) | (37,065,722) |
| Investment fees | (9,324) | (14,187) |
| Net cash provided by (used in) investing activities | (1,079,108) | 8,913,936 |
| **Net increase (decrease) in cash and cash equivalents** | 3,411,167 | (2,014,977) |
| **Cash and Cash Equivalents, Beginning of Year** | 8,875,784 | 10,890,761 |
| **Cash and Cash Equivalents, End of Year** | $ 12,286,951 | $ 8,875,784 |
| **Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities** | | |
| Operating income | $ 2,595,353 | $ 2,511,789 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Interest receivable - loans | 169,942 | (142,777) |
| Loans receivable, net | 1,726,046 | (13,297,614) |
| Accounts payable | (1,066) | (311) |
| **Net Cash Provided by (used in) Operating Activities** | $ 4,490,275 | $(10,928,913) |
| **Noncash Items Impacting Recorded Assets** | | |
| Increase (decrease) in fair value of investments | $ (254,446) | $ (154,730) |

The notes to the financial statements are an integral part of these statements

# Notes to the Financial Statements

# Notes to the Financial Statements

## Note 1: Summary of Significant Accounting Policies

The Missouri Transportation Finance Corporation (MTFC) was created by the Missouri Highways and Transportation Commission (the Commission), under Missouri General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri (RSMo), on August 23, 1996. The entity administers a program, in conformity with federal transportation laws, to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri.

### *(A) Reporting Entity*

The MTFC is a component unit of the state of Missouri. The Commission has authority to remove any board member for cause, and therefore, may impose its will on the MTFC. The accompanying basic financial statements include only those operations related to the MTFC.

### *(B) Basis of Accounting*

MTFC accounts for its activities as an Enterprise Fund, a type of Proprietary Fund. Proprietary Funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income. In reporting its financial activity, the MTFC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting is utilized under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In applying the accrual concept to federal grant revenues and contributions, the legal and contractual requirements of the individual programs are used for guidance.

### *(C) Cash, Cash Equivalents and Investments*

Cash and cash equivalents include cash and overnight repurchase agreements. Investments are reported at fair value. MTFC requires that securities underlying overnight repurchase agreements must have a fair value of at least 100 percent of the cost of the agreement. The fair values of the repurchase agreements are determined daily.

### *(D) Loans Receivable*

Program loans are made and collected to fulfill the MTFC's responsibility to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Management has determined, based on prior experience and collateral pledged on the loans, that an allowance for uncollectible loans is not necessary.

### *(E) Net Position*

Equity is categorized in the statements of net position as restricted and unrestricted. Restricted net position is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. In general, restricted net position is composed of the original federal and state grant funds provided to establish the loan program and net investment income earned on those funds not currently loaned. When both restricted and unrestricted resources are available for use, generally it is the MTFC's policy to use restricted resources first for program loans to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Unrestricted resources are used for operating expenses and loans as needed.

### *(F) Unearned Revenue*

The MTFC currently has unearned revenue in the form of prepaid interest. This unearned revenue is recognized as it is earned.

## (G) *Classification of Operating and Nonoperating Revenues and Expenses*

The MTFC has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including interest income on program loans made to entities as provided by federal transportation laws and program fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including federal, state and local grants and contracts. Investment earnings are also classified as nonoperating revenue.

Operating expenses: Operating expenses primarily include administrative fees and professional services. The administrative fees are reimbursements to the Missouri Department of Transportation for personnel service costs related to the support of the MTFC.

Nonoperating expenses: Nonoperating expenses consist of investment fees.

## (H) *Use of Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## (I) *Income Taxes*

The MTFC submitted a request for ruling to the Internal Revenue Service (IRS). In response to that request, the IRS ruled the income of the MTFC is excludable from gross income for federal income tax purposes under Section 115 of the Code. The MTFC is required to file an annual income tax return on Form 1120.

## (J) *Reclassification of Restricted Net Position*

Restricted net position for fiscal year 2012 has been reclassified to meet the definition of restricted net position. This reclassification had no effect on total net position.

**MTFC Reclassification of Net Position**
**June 30, 2012**
**(dollars in thousands)**

| | 2012 Reclassified | 2012 |
|---|---|---|
| **Net Position** | | |
| Restricted for lending purposes | 75,658 | 81,711 |
| Unrestricted net position | 20,959 | 14,906 |
| **Total net position** | $96,617 | $96,617 |

## Note 2: Cash and Investments

### (A) Deposits

The carrying amounts of deposits and repurchase agreements of the MTFC at June 30, 2013 and 2012 were $12,286,951 and $8,875,784, respectively. The bank balances were covered by federal depository insurance and by collateral held by a third-party bank under a joint custody agreement.

### (B) Investments

The MTFC's investment policy is approved by the Board. This policy supports the MTFC's conservative and prudent approach to investment management. The policy also addresses authorized financial dealers and institutions, internal controls, suitable and authorized investments, collateralization, diversification of the portfolio, maximum maturities, performance standards and reporting requirements.

The policy allows funds to be invested in time deposits, linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements and United States Treasury and federal agency securities. The MTFC's investments are reported at fair value. At June 30, 2013 and 2012, the MTFC had $10,360,820 and $9,356,517, respectively, of unregistered government sponsored securities for which a financial institution's trust department holds the securities in the MTFC's name.

Investment earnings consisted of the following for the years ended June 30:

| | 2013 | 2012 |
|---|---|---|
| Interest income on deposits | $ 19,385 | $ 20,749 |
| Interest income on investments | 135,787 | 244,929 |
| Net appreciation (depreciation) in fair value of investments | (254,447) | (154,730) |
| Total investment earnings (loss) | $ (99,275) | $ 110,948 |

### (C) Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The MTFC policy states interest rate risk will be managed by the following objectives:

Safety: The investment portfolio is developed to avoid the need to sell securities on the open market prior to maturity, with securities scheduled to mature to meet cash requirements for ongoing operations.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so the securities mature concurrent with cash needs to meet anticipated demands (static liquidity).

Yield: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

### (D) Credit Risk

The MTFC minimizes credit risk by limiting investments to the safest types of securities as defined in Note 2: Cash and Investments, Section (B) Investments.

## (E) *Concentration of Credit Risk*

The MTFC diversifies its investments to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. The asset allocation is periodically reviewed by management.

At June 30, 2013, the MTFC's investments had the following average maturities:

| Investment Type | Fair Value | Less than 1 year | 1-3 years | 4-5 years |
|---|---|---|---|---|
| Repurchase agreements | $12,286,769 | $12,286,769 | $ --- | $ --- |
| Government agency obligations | 7,368,950 | 5,381,030 | 1,011,150 | 976,770 |
| US agency obligations | 2,991,870 | --- | 2,991,870 | --- |

At June 30, 2012, the MTFC's investments had the following average maturities:

| Investment Type | Fair Value | Less than 1 year | 1-3 years | 4-5 years |
|---|---|---|---|---|
| Repurchase agreements | $ 8,875,679 | $ 8,875,679 | $ --- | $ --- |
| Government agency obligations | 7,556,590 | 3,522,330 | 1,015,420 | 3,018,840 |
| US agency obligations | 1,799,927 | --- | --- | 1,799,927 |

At June 30, 2013 and 2012, the MTFC's investments were rated as shown below. This disclosure does not include repurchase agreements.

| Investment Type | Moody's | Fair Value 2013 | Fair Value 2012 |
|---|---|---|---|
| Governmental agency obligations | Aaa | $ 7,368,950 | $ 7,556,590 |
| US agency obligations | Aaa | 2,991,870 | 1,799,927 |

## (F) *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the MTFC will not be able to recover collateralized securities in the possession of an outside party. The MTFC's policy is to collateralize demand deposits and repurchase agreements with securities held by the financial institution's agent in the MTFC's name. The MTFC policy also states security transactions are settled "delivery versus payment." This means payment is made simultaneously with the receipt of the security. These securities are delivered to the MTFC's safekeeping bank.

## Note 3: Loans Receivable

Loans are entered into to provide financing for highway and transportation projects. Future revenues primarily secure public entity loans. Irrevocable letters of credit or designated funds secure loans to private entities. The receivable balance as of June 30, 2013 and 2012 consists of the following:

(amounts in thousands)

| Customer and Project Description | Loan Date | Maturity Date | Interest Rate | 2013 | 2012 |
|---|---|---|---|---|---|
| **Principal and Interest Paid Monthly** | | | | | |
| **City of Lexington**<br>Rehabilitate South 24th Street between Highways 24 and 224 in the city. | 11/23/05 | 11/30/12 | 3.76% | $ --- | $ 8 |
| **City of Lexington**<br>Rehabilitate South and Franklin Streets in the city. | 08/01/06 | 07/31/13 | 3.80 | 2 | 11 |
| **Principal and Interest Paid Semi-annually** | | | | | |
| **City of Pacific**<br>Accelerate the Missouri Highways and Transportation Commission's (MHTC) portion and finance the city's portion of a cost share project to relocate the I-44 eastbound ramp. | 03/23/09 | 09/30/14 | 4.18 | 188 | 306 |
| **City of Columbia**<br>Finance the city's portion of the cost share project to construct improvements on Route 740, also known as Stadium Boulevard. The project consists of widening Route 740 from a five-lane undivided roadway to a six-lane divided roadway. | 03/01/12 | 03/01/22 | 3.92 | 7,397 | 2,500 |

(amounts in thousands)

| Customer and Project Description | Loan Date | Maturity Date | Interest Rate | 2013 | 2012 |
|---|---|---|---|---|---|
| **Principal and Interest Paid Annually** | | | | | |
| **County of Madison**<br>Finance the county's portion of a cost share project to relocate Route 72 bypassing Fredericktown and Junction City and to refinance debt of related improvements. | 09/28/07 | 03/01/18 | 4.20% | $ 2,260 | $ 2,673 |
| **City of St. Louis**<br>Construct Gateway Transportation Center to consolidate urban buses, intercity buses, light rail passenger, commercial space and parking. | 10/26/07 | 01/31/18 | 4.20 | 2,500 | 2,944 |
| **City of Kansas City**<br>Construct a single point urban interchange in conjunction with the kcICON project. | 12/21/07 | 11/19/17 | 4.20 | 6,807 | 8,011 |
| **City of Poplar Bluff**<br>Construct Shelby Road intersection at Westwood Boulevard and Business Route 67. This loan was paid off early on December 20, 2012. | 03/02/09 | 03/01/21 | 4.86 | --- | 5,213 |
| **Kansas City Power and Light Company**<br>Accelerate the MHTC's portion and finance the company's portion of a cost share project to improve the approach and replacement of Route 45 bridge over Burlington Northern Santa Fe Railway. This loan was paid off early on February 28, 2013. | 05/29/09 | 09/01/18 | 5.15 | --- | 2,921 |
| **St. Francois County Special Road District #2**<br>Replace the Commerce Street bridge. This loan was paid off early on April 29, 2013. | 06/12/09 | 03/01/17 | 4.03 | --- | 240 |
| **City of Rogersville**<br>Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve traffic flow and access management at the intersection of Route 60 and Route VV/B. | 07/31/09 | 08/01/15 | 4.47 | 92 | 504 |
| **U.S. Highway 36 – Interstate 72 Corridor – Transportation Development District**<br>Construct two additional lanes of approximately 52 miles on Route 36. | 12/31/09 | 12/31/19 | 3.99 | 21,776 | 24,822 |
| **City of St. Clair**<br>Finance the city's portion of a cost share project to relocate the I-44 North Outer Road at Route 47. | 10/03/11 | 10/01/21 | 2.93 | 1,507 | 1,651 |
| **City of Kirksville**<br>Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve access and pedestrian facilities along Route 63. | 12/01/11 | 12/01/21 | 2.92 | 179 | 557 |

(amounts in thousands)

| Customer and Project Description | Loan Date | Maturity Date | Interest Rate | 2013 | 2012 |
|---|---|---|---|---|---|
| **Principal and Interest Paid Annually (continued)** | | | | | |
| **City of Poplar Bluff**<br>Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve the interchange at Route 67 and Oak Grove Road and the intersection at Business Route 67 and Oak Grove Road. | 03/01/12 | 03/01/22 | 4.15% | $ 8,266 | $ 8,492 |
| **City of Republic**<br>Finance the city's portion of a cost participation project to improve the intersection of Route 60 and Oakwood Avenue. | 03/01/12 | 03/01/17 | 2.96 | 179 | 221 |
| **Highway 71/291 Partners in Progress Transportation Development District**<br>Accelerate the MHTC's portion and finance the Transportation Development District's portion of two cost share projects to improve the interchange of Route 71 and Route 291. | 05/25/12 | 08/01/15 | 0.55 | 478 | 500 |
| **Neosho Transportation Development District**<br>Accelerate the MHTC's portion of a cost share project to construct improvements on and adjacent to Route 60. | 07/15/12 | 08/01/13 | 0.27 | 1,721 | --- |
| **City of Liberty**<br>Accelerate the MHTC's portion of a cost share project to reconfigure the interchange and replace the bridge at Interstate 35 and Route 291. | 09/17/12 | 08/01/13 | 0.72 | 5,000 | --- |
| **Barton County**<br>Finance the county's portion of a cost share project to improve Route 71 at $30^{th}$ Road and First Street. | 08/01/12 | 08/01/22 | 2.17 | 1,543 | --- |
| **City of O'Fallon**<br>Construct Crusher Street extension and improve Elaine Drive. | 11/01/12 | 11/01/22 | 2.69 | 2,000 | --- |

(amounts in thousands)

| Customer and Project Description | Loan Date | Maturity Date | Interest Rate | 2013 | 2012 |
|---|---|---|---|---|---|
| **Interest Only Paid Annually** | | | | | |
| **City of Trenton**<br>Accelerate the MHTC's portion of a cost share project to construct turn lanes and upgrade Route 65. | 10/30/09 | 08/01/12 | 1.18% | $ --- | $ 382 |
| **County of St. Charles**<br>Accelerate the MHTC's portion of a cost share project to construct Phase II of Route 364 (Page Avenue) from Central School Road to Mid Rivers Mall Drive. | 06/01/10 | 08/01/13 | 1.33 | 5,000 | 10,000 |
| **Bi-State Development Agency**<br>Provide funding for Bi-State's Debt Service Reserve Fund as a secondary security to bondholders. | 10/03/11 | 10/01/16 | 1.83 | 5,000 | 5,000 |
| **County of St. Charles**<br>Accelerate the MHTC's portion of a cost share project to construct a diverging diamond interchange at Mid Rivers Mall Drive and an additional westbound lane on I-70 between Mid Rivers Mall Drive and Route 79. | 12/03/12 | 08/01/14 | 0.69 | 3,335 | --- |
| **Total** | | | | $75,230 | $76,956 |

**Annual loans receivable to maturity are indicated in the following schedule.**
(amounts in thousands)

| Fiscal Year | Principal |
|---|---|
| 2014 | $18,678 |
| 2015 | 15,174 |
| 2016 | 7,369 |
| 2017 | 12,421 |
| 2018 | 7,428 |
| 2019-2023 | 14,160 |
| Total principal | $75,230 |

**Loans receivable are included in the accompanying statements of net position, as follows:**
(amounts in thousands)

| | 2013 | 2012 |
|---|---|---|
| Current loans receivable | $18,677 | $12,935 |
| Noncurrent loans receivable | 56,553 | 64,021 |
| Total loans receivable | $75,230 | $76,956 |

## Note 4: Administrative Expenses

Administrative expenses and accounts payable represent reimbursements to the Missouri Department of Transportation (MoDOT) for personnel and administrative costs.

## Note 5: Restricted Net Position

The MTFC received money from federal grants, which is restricted for lending purposes only. Those grants required a state transportation funding match, which, with net investment earnings (loss), is also restricted for lending purposes. Restricted net position decreased due to the net investment loss for the year ended June 30, 2013, included in net nonoperating revenues (expenses).

(amounts in thousands)

| | 2013 | 2012 |
|---|---|---|
| Federal grant | $49,410 | $49,410 |
| State grant | 10,250 | 10,250 |
| Cumulative net investment earnings | 15,890 | 15,998 |
| Total restricted net position available for lending purposes | $75,550 | $75,658 |

## Note 6: Risk Management

The MTFC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets for which the MTFC carries commercial insurance. The State's Legal Expense Fund covers all state employees for the risks of errors and omissions. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities were reported at June 30, 2013 or 2012. The MTFC has had no settlements in the last three years.

## Note 7: Loan Commitments and Loans Approved

At June 30, 2013, the MTFC had loan commitments totaling $9.5 million that were approved and executed but not disbursed.

(amounts in thousands)

| Customer and Project Description | Approved Date | Executed Date | Projected Disbursement Date | Interest Rate | Amount |
|---|---|---|---|---|---|
| **Principal and Interest Paid Annually** | | | | | |
| **County of Christian** Finance the county's portion of a cost share project to construct a diverging diamond interchange at Route 65 and Route CC. | 05/02/11 | 09/09/11 | 08/01/13<br>08/01/14 | 3.64% | $ 100<br>1,557<br>1,657 |
| **City of O'Fallon*** Construct Crusher Street extension and improve Elaine Drive. | 01/31/12 | 07/19/12 | 11/01/13 | 2.69 | 1,075 |
| **Village of Innsbrook** Construct shoulders on Route F. | 10/04/11 | 01/26/12 | 08/01/13 | 2.29 | 200 |
| **Highway 71/291 Partners In Progress Transportation Development District*** Accelerate the MHTC's portion and finance the Transportation Development District's portion of two cost share projects to improve the interchange of Route 71 and Route 291. | 01/31/12 | 05/18/12 | 10/01/13<br>10/01/14 | 0.55 | 3,700<br>2,306<br>6,006 |
| **City of Owensville** Finance the city's portion of a cost share project to improve Route 28 inside the city limits. | 02/05/13 | 05/15/13 | 01/02/14 | 1.61 | $ 526 |
| **Total loan commitments**** | | | | | $ 9,464 |

*These loans had partial disbursements with the remaining payouts listed.
**Unrestricted and restricted net position is sufficient to meet loan commitments and loans approved.

At June 30, 2013, loan agreements of approximately $1.0 million have been approved but have not been executed; therefore, the funds have not been disbursed. The details of the loan agreements, including timing of disbursements, have not been finalized with the loan recipients. These consist of the following:

(amounts in thousands)

| Customer and Project Description | Approved Date | Projected Disbursement Date | Interest Rate | Loan Length | Amount |
|---|---|---|---|---|---|
| **City of Waynesville** | 04/30/13 | 07/01/14 | 2.28% | 10 years | $ 482 |
| Finance the city's portion of a cost share project | | 05/01/15 | | | 538 |
| to improve Route 17 inside the city limits. | | | | | 1,020 |
| **Total loans approved**** | | | | | $1,020 |

**Unrestricted and restricted net position is sufficient to meet loan commitments and loans approved.

On December 15, 2003, the MTFC approved a line-of-credit for the Missouri Highways and Transportation Commission. The maximum amount available on the line-of-credit is the total uncommitted balance of the MTFC accounts. The primary purpose of the line-of-credit is to finance projects eligible in conformity with federal transportation laws in the event of federal reimbursement delays for State Road Fund Projects. The Commission will make a lump-sum repayment of principal and interest three months after the loan is advanced. At June 30, 2013 and 2012, no advances had been made to the Missouri Highways and Transportation Commission on the line-of-credit.

## Note 8: Accounting Pronouncements

MTFC implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* in fiscal year 2013 and will implement GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* in fiscal year 2014. There was no significant impact on the financial statements from GASB 62. As it relates to MTFC, Statement 63 has changed the Statements of Net Assets to the Statements of Net Position. Statement 65 will require some of MTFC outflows and inflows to be reclassified from assets and liabilities, with the residual amount being net position.

# Statistical Section

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# Index
# Statistical Section



*Note:*

The objective of this statistical section is to provide users with a historical perspective by presenting information for multiple years. Over time, data for the most recent ten years will be presented. However, in some cases schedules originate with the year the MTFC began tracking the information or it became administratively feasible to report retroactively.

# Financial Trends
# Changes in Net Position

Years Ended June 30
(amounts in thousands)

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Interest income on loans | $2,632 | $2,523 | $2,580 | $2,056 |
| Program fees | 2 | 37 | 16 | 29 |
| **Total Operating Revenues** | 2,634 | 2,560 | 2,596 | 2,085 |
| **Operating Expenses** | | | | |
| Administrative fees | 27 | 36 | 17 | 49 |
| Professional fees | 10 | 10 | 10 | 11 |
| Travel and training | --- | --- | --- | --- |
| Other | 2 | 2 | 2 | 2 |
| **Total Operating Expenses** | 39 | 48 | 29 | 62 |
| **Operating Income** | 2,595 | 2,512 | 2,567 | 2,023 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Investment earnings | (99) | 111 | 158 | 375 |
| Investment fees | (9) | (14) | (14) | (35) |
| **Net Nonoperating Revenues (Expenses)** | (108) | 97 | 144 | 340 |
| **Change in Net Position** | $2,487 | $2,609 | $2,711 | $2,363 |

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| $ 844 | $1,064 | $ 913 | $1,154 | $1,262 | $1,019 |
| 43 | 6 | 5 | 3 | 3 | 1 |
| 887 | 1,070 | 918 | 1,157 | 1,265 | 1,020 |
| | | | | | |
| 48 | 33 | 45 | 36 | 50 | 59 |
| 10 | 9 | 8 | 8 | 8 | 10 |
| --- | 1 | 4 | 2 | --- | --- |
| 3 | 5 | 4 | 1 | 9 | 1 |
| 61 | 48 | 61 | 47 | 67 | 70 |
| | | | | | |
| 826 | 1,022 | 857 | 1,110 | 1,198 | 950 |
| | | | | | |
| 1,967 | 2,459 | 2,996 | 1,692 | 733 | 545 |
| (64) | (57) | (55) | (28) | --- | --- |
| 1,903 | 2,402 | 2,941 | 1,664 | 733 | 545 |
| | | | | | |
| $2,729 | $3,424 | $3,798 | $2,774 | $1,931 | $1,495 |

# Financial Trends
# Net Position

Years Ended June 30
(amounts in thousands)

| Fiscal Year | Restricted | Unrestricted | Total |
|---|---|---|---|
| 2013 | $ 75,550 | $ 23,554 | $ 99,104 |
| 2012 | 75,658 | 20,959 | 96,617 |
| 2011 | 75,562 | 18,446 | 94,008 |
| 2010 | 75,417 | 15,880 | 91,297 |
| 2009 | 75,077 | 13,857 | 88,934 |
| 2008 | 73,174 | 13,031 | 86,205 |
| 2007 | 70,772 | 12,009 | 82,781 |
| 2006 | 67,830 | 11,153 | 78,983 |
| 2005 | 66,167 | 10,042 | 76,209 |
| 2004 | 65,434 | 8,844 | 74,278 |

Amounts for 2004 through 2012 include restatements of restricted and unrestricted net position to meet the definition of restricted net position. These restatements had no effect on total net position.

# Revenue Capacity
# Average Fair Value of Investments and Average Yields on Investments Held on Behalf of the MTFC

Years Ended June 30
(amounts in thousands)

| Fiscal Year | Average Monthly Fair Value of Investments | Average Monthly Yield on Investments |
|---|---|---|
| 2013 | $ 8,816 | 1.25% |
| 2012 | 11,910 | 1.92 |
| 2011 | 13,604 | 2.30 |
| 2010 | 28,196 | 2.86 |
| 2009 | 57,105 | 3.35 |
| 2008 | 52,144 | 4.54 |
| 2007 | 50,863 | 5.17 |
| 2006* | 38,942 | 4.08 |

*Includes only October through June

*Source:* Investment summary of funds held at MTFC calculated by Missouri Department of Transportation, Financial Services staff.

# Revenue Capacity
# Net Loans Receivable by Fiscal Year

Years Ended June 30
(amounts in thousands)

| Fiscal Year | Net Loans Receivable | Weighted Average Interest Rate |
|---|---|---|
| 2013 | $ 75,230 | 3.15% |
| 2012 | 76,956 | 3.59 |
| 2011 | 63,659 | 3.68 |
| 2010 | 74,889 | 3.77 |
| 2009 | 28,276 | 4.25 |
| 2008 | 17,835 | 2.88 |
| 2007 | 24,513 | 3.76 |
| 2006 | 29,785 | 3.60 |
| 2005 | 34,958 | 3.52 |
| 2004 | 33,654 | 3.61 |

*Source:* Weighted average interest rate calculated by Missouri Department of Transportation, Financial Services staff.

# Demographic and Economic Information Population, Personal Income and Unemployment Rate – State of Missouri

Years Ended December 31
(amounts in thousands)

| Year | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
|---|---|---|---|---|
| 2012 | 6,022 | $233,049,000 | $39 | 7.6% |
| 2011 | 6,011 | 229,986,000 | 38 | 7.7 |
| 2010 | 6,012 | 217,486,000 | 36 | 9.2 |
| 2009 | 5,988 | 213,238,000 | 36 | 9.2 |
| 2008 | 5,912 | 205,288,000 | 35 | 6.0 |
| 2007 | 5,878 | 198,757,000 | 34 | 5.1 |
| 2006 | 5,838 | 188,399,000 | 32 | 5.2 |
| 2005 | 5,788 | 178,036,000 | 31 | 6.3 |
| 2004 | 5,745 | 170,392,000 | 30 | 5.9 |
| 2003 | 5,706 | 164,163,000 | 29 | 5.9 |

*Sources:*

Population: United States Department of Commerce, Census Bureau

Personal Income, Per Capita Personal Income and Unemployment Rate: United States Department of Commerce, Bureau of Economic Analysis

# Demographic and Economic Information
# Employment Sectors – State of Missouri

Years Ended December 31
(amounts in thousands)

| | 2012 | | | 2003 | | |
|---|---|---|---|---|---|---|
| | Employees | Rank | Percentage | Employees | Rank | Percentage |
| Trade, transportation and utilities | 521 | 1 | 20% | 547 | 1 | 20% |
| Government | 441 | 2 | 16 | 438 | 2 | 16 |
| Education and health services | 432 | 3 | 16 | 357 | 3 | 13 |
| Professional and business services | 352 | 4 | 13 | 303 | 5 | 11 |
| Leisure and hospitality | 261 | 5 | 10 | 255 | 6 | 10 |
| Manufacturing | 250 | 6 | 9 | 314 | 4 | 12 |
| Financial activities | 161 | 7 | 6 | 163 | 7 | 6 |
| Other services | 111 | 8 | 4 | 119 | 9 | 5 |
| Construction, natural resources and mining | 104 | 9 | 4 | 138 | 8 | 5 |
| Information | 55 | 10 | 2 | 65 | 10 | 2 |
| **Total** | 2,688 | | 100% | 2,699 | | 100% |

*Source:* United States Department of Labor, Bureau of Labor Statistics

# Operating Information
# Approved Loans by Fiscal Year

Years Ended June 30
(dollar amounts in thousands)

| Fiscal Year | Number of Loans Approved | Total Approved Loan Amount |
|---|---|---|
| 2013 | 2 | $ 1,546 |
| 2012 | 11 | 34,458 |
| 2011 | 4 | 10,791 |
| 2010 | 6 | 15,658 |
| 2009 | 11 | 23,724 |
| 2008 | 3 | 10,284 |
| 2007 | 14 | 95,781 |
| 2006 | 2 | 8,060 |
| 2005 | 2 | 897 |
| 2004 | 1 | 500 |

*Source:* Missouri Department of Transportation, Financial Services database

Not all loans approved by the MTFC board are executed or disbursed.

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# Other Information

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# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated August 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams Keepers LLC

August 22, 2013